

SurgePays Announces Third Quarter 2022 Financial Results

- Q3 revenue increased 2.5X YoY
- Surpassed 2022 year-end goal of 200,000 Mobile Broadband subscribers
- ACP enrollment process fully integrated into SurgePays convenience store platform

Bartlett, Tenn., November 14, 2022 -- SurgePays, Inc. (Nasdaq: SURG) (“SurgePays” or the “Company”), a technology and telecommunications company focused on the underbanked and underserved, today announced its financial results for the third quarter ended September 30, 2022.

Third Quarter 2022 Operational and Financial Highlights

- Revenue of \$36.2 million in the third quarter, an increase of 149% compared to the third quarter of 2021
- Gross profit of \$1.9 million in the third quarter, an increase of 1% compared to the third quarter of 2021
- Net loss of \$(1.5 million) in the third quarter compared to a net loss of \$(1.7 million) in the year ago period
- Surpasses Year end Goal of 200,000 subscribers
- Appoints Jeremy Gies, President of SurgePays Fintech to drive increases in the number of stores using SurgePays software and revenue per store
- Integrate ACP into SurgePays Fintech Platform to enable in store enrollments

CEO Commentary and Outlook

Chairman and CEO Brian Cox commented on third quarter results, “The third quarter for SurgePays was about disciplined growth while maintaining a velocity resulting in a 2.5X revenue increase and surpassing our 2022 year-end goal of 200,000 mobile broadband (wireless) subscribers. We continued our growth curve without dilutive capital raises through planning and discipline. In a turbulent economy, our team is successfully forging ahead focused on defined targets of subscribers, stores on our network, and revenue.

“Once we hit 150,000 mobile broadband subscribers, we analyzed our efficiency in purchasing wireless equipment, margins, and retention. This evaluation has led to margin expansion in both our equipment and service provision. We have also implemented new protocols to enhance customer retention.”

“By adding ACP enrollments to our SurgePays platform for convenience stores, we can accelerate our growth goals due to being the only company we are aware of offering ACP at the community stores where the underbanked most frequently shop. These stores accept SNAP(EBT), a qualifying program. At the register, the clerk can quickly submit customer data needed for our compliance specialists to activate the customer. By adding this offering to our suite of prepaid products for the store owner, we should see rapid growth in our total store count.

Mr. Cox concluded: “I have been very open about not measuring our company by quarters, but the trajectory to hit subscriber and revenue goals while improving the Cap Table. We are executing with real-time results in the middle of a land grab. I believe we have barely scratched the surface and will continue to refine our sales and operating practices to maximize the rapid scaling of our sales and revenue.”

Conference Call and Webcast Information

SurgePays will host a conference call today to review its results and discuss its performance at 5:00 p.m. ET / 2:00 p.m. PT. Participants may join the conference call by dialing 1-877-270-2148 (United States) or 1-412-902-6510 (International). A telephonic replay of the call will also be available shortly after the completion of the call, until 11:59 pm ET on November 28, 2022, by dialing 1-877-344-7529 (United States) or 1-412-317-0088 (International) and entering the replay pin number: 1557657.

A live webcast will be available on SurgePays, Inc Investor Relations site under the Upcoming Event section at <http://ir.surgepays.com> and will be archived online upon completion of the conference call.

About SurgePays, Inc.

SurgePays, Inc. is a technology and telecommunications company focused on the underbanked and underserved communities. SurgePhone Wireless provide mobile broadband to low-income consumers nationwide. SurgePays blockchain fintech platform utilizes a suite of financial and prepaid products to convert corner stores and bodegas into tech-hubs for underbanked neighborhoods. Please visit SurgePays.com for more information.

About Non-GAAP Financial Measures

The Company believes that EBITDA (earnings before interest, taxes, depreciation and amortization) is useful to investors because it is commonly used to evaluate companies on the basis of operating performance and leverage.

EBITDA is not intended to represent cash flows for the periods presented, nor have they been presented as an alternative to operating income or as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In accordance with SEC Regulation G, the non-GAAP measurements in this press release have been reconciled to the nearest GAAP measurement, which can be viewed under the heading "Reconciliation of Net Income (loss) from Operations to EBITDA" in the financial tables included in this press release.

Cautionary Note Regarding Forward-Looking Statements

This press release includes express or implied statements that are not historical facts and are considered forward-looking within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act. Forward-looking statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance and may contain projections of our future results of operations or of our financial information or state other forward-looking information. In some cases, you can identify forward-looking statements by the following words: "may," "will," "could," "would," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," "ongoing," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words.

Although we believe that the expectations reflected in these forward-looking statements such as regarding our market potential along with the statements under the heading Business Outlook are reasonable, these statements relate to future events or our future operational or financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of risks and factors that are beyond our control, including, without limitation, statements about our future financial performance, including our revenue, cash flows, costs of revenue and operating expenses; our anticipated growth; our predictions about our industry; the impact of the COVID-19 pandemic on our business and our ability to attract, retain and cross-sell to clients. The forward-looking statements contained in this release are also subject to other risks and uncertainties, including those more fully described in our filings with the Securities and Exchange Commission ("SEC"), including in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. The forward-looking statements in this press release speak only as of the date on which the statements are made. We undertake no obligation to update, and expressly disclaim the obligation to update, any forward-looking statements made in this press release to reflect events or circumstances after the date of this press release or to reflect new information or the occurrence of unanticipated events, except as required by law.

Investor Relations

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SurgePays, Inc. and Subsidiaries
Consolidated Statements of Operations

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Revenues	\$ 36,171,345	\$ 14,538,353	\$ 85,317,860	\$ 36,905,373
Costs and expenses				
Cost of revenue	34,250,541	12,634,871	78,572,421	32,544,610
General and administrative expenses	2,885,744	2,909,954	9,656,518	10,263,479
Total costs and expenses	37,136,285	15,544,825	88,228,939	42,807,098
Loss from operations	(964,940)	(1,006,472)	(2,911,079)	(5,901,725)
Other income (expense)				
Interest expense	(633,593)	(1,236,778)	(1,370,236)	(4,637,236)
Derivative expense	-	-	-	(1,775,077)
Change in fair value of derivative liabilities	-	(202,784)	-	746,896
Gain (loss) on investment in Centstream - former related party	(52,435)	21,072	(42,099)	(3,556)
Gain on settlement of liabilities	-	136,487	-	979,469
Gain on deconsolidation of True Wireless	-	-	-	1,895,471
Amortization of debt discount	(57,933)	630,580	(95,001)	2,008,036
Gain on forgiveness of PPP loan - government	-	-	524,143	-
Total other income (expense) - net	(743,061)	(651,423)	(983,193)	(785,577)
Net loss including non-controlling interest	(1,708,901)	(1,657,895)	(3,894,272)	(6,687,302)
Non-controlling interest	(216,169)	-	(192,811)	-
Net loss available to common stockholders	\$ (1,492,738)	\$ (1,657,895)	\$ (3,701,461)	\$ (6,687,302)
Loss per share - basic and diluted	\$ (0.12)	\$ (0.51)	\$ (0.30)	\$ (2.21)
Weighted average number of shares - basic and diluted	12,443,052	3,264,274	12,259,907	3,024,487

SurgePayments, Inc. and Subsidiaries Consolidated Balance Sheets

	September 30, 2022 (Unaudited)	December 31, 2021
Assets		
Current Assets		
Cash	\$ 7,882,829	\$ 6,283,496
Accounts receivable - net	9,487,625	3,249,889
Inventory	6,487,242	6,256,298
Prepaid	10,823	-
Total Current Assets	24,068,519	15,789,683
Property and equipment - net	747,856	200,448
Other Assets		
Other receivable	178,831	178,831
Other payable - net	5,932,229	3,631,884
Goodwill	1,488,762	866,762
Investment in Centstream - former related party	491,120	661,249
Operating lease - right of use asset - net	433,761	569,688
Total Other Assets	7,424,703	5,268,314
Total Assets	\$ 31,380,882	\$ 15,500,322
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable and accrued expenses	\$ 11,472,082	\$ 6,602,837
Accounts payable and accrued expenses - related party	1,182,228	1,500,788
Deferred revenue	1,898,510	276,258
Operating lease liability	38,406	38,452
Lease payable - related parties	1,884,413	1,233,398
Other payable - SBA guarantee	-	156,418
Other payable - net	20,012,405	9,096,154
Total Current Liabilities	24,365,644	19,833,853
Long Term Liabilities		
Lease payable - related parties	4,874,883	4,507,607
Other payable - SBA guarantee	162,226	1,084,767
Total Long Term Liabilities	5,037,109	5,592,374
Total Liabilities	29,402,753	25,426,227
Commitments and Contingencies (Note 6)		
Stockholders' Equity		
Series A Convertible Preferred stock, \$0.001 par value, 100,000,000 shares authorized, 13,000,000 and 13,000,000 shares issued and outstanding, respectively	280	280
Series B Convertible Preferred stock, \$0.001 par value, 100,000,000 shares authorized, if not B shares issued and outstanding, respectively	-	-
Common stock, \$0.001 par value, 500,000,000 shares authorized (12,048,834 and 12,048,834 shares issued and outstanding, respectively)	12,496	12,964
Additional paid-in capital	39,487,256	36,452,345
Accumulated deficit	(19,381,229)	(55,143,829)
Stockholders' equity	12,406,803	5,321,820
Non-controlling interest	871,326	8,552,275
Total Stockholders' Equity	13,278,129	13,874,095
Total Liabilities and Stockholders' Equity	\$ 31,380,882	\$ 15,500,322

SurgePays, Inc. and Subsidiaries Consolidated Statements of Cash Flows

For the Nine Months Ended September		
	2023	2021
	(\$ thousands)	(\$ thousands)
Operating activities		
Net loss including non-cash effect interest	-	(1,094,272)
Adjustments to reconcile net loss to net cash used in operations:		
Provision for inventory obsolescence	-	(6,087,392)
Depreciation and amortization	51,718	-
Amortization of right-of-use assets	68,717	5,533
Amortization of debt discount and issue costs	35,001	1,351,351
Accretion of debt issued expenditures	77,362	6,095
Net gain/loss on derivative contracts	251,262	(929,688)
Change in fair value of derivative liabilities	-	1,755,687
Derivative expense	-	(640,932)
Gain on settlement of liabilities	-	24,624
Gain/loss on equity method investment - Citicoreco - former related party	(2,008)	-
Gain on forgiveness of PPP loan	(254,119)	(1,895,857)
Gain on deconsolidation of subsidiary (True Windows)	-	-
Change in operating assets and liabilities:		
Receivables	(8,217,533)	(11,543)
Liabilities receivable - due from USAC	-	105,532
Inventory	(5,184,887)	(77,708)
Prepaid	(333,833)	(982)
Income (decrease) in:		
Accounts payable and accrued expenses	7,875,480	1,824,084
Accounts payable and accrued expenses - related party	2,106,569	(1,109,174)
Deferred revenue	3,426,200	157,406
Operating lease liability	(102,677)	(82,518)
Net cash used in operating activities	(10,571,823)	(6,573,542)
Investing activities		
Purchase of property and equipment	(9,433)	(45,583)
Purchase of software	(200,969)	-
Acquisition of Tech, Inc.	(200,969)	-
Cash disposed in deconsolidation of subsidiary (True Windows)	-	(125,316)
Net cash used in investing activities	(3,109,871)	(171,225)
Financing activities		
Proceeds from stock and warrants issued for cash	-	1,200,000
Proceeds from loan - related party	-	2,122,000
Repayment of loan - related party	-	(50,000)
Proceeds from notes payable	6,700,000	(250,000)
Repayment on notes payable	-	-
Proceeds from SBA notes	(36,762)	518,147
Repayment on SBA notes	-	(2,550,000)
Proceeds from convertible notes, net of commission	-	(1,260,325)
Net cash provided by financing activities	6,663,238	5,137,372
Net increase (decrease) in cash	1,681,534	(1,577,866)
Cash - beginning of period	6,181,496	879,858

Reconciliation of Net Income (loss) from Operations to EBITDA

	Three months ended September 30, 2022	Three months ended September 30, 2021
	(unaudited)	(unaudited)
Revenue	\$ 36,171,345	\$ 14,538,353
Cost of revenue (exclusive of depreciation and amortization)	34,250,541	12,634,871
General and administrative expenses	2,933,204	2,909,954
Loss from operations	\$ (1,012,400)	\$ (1,006,472)
Net loss to common stockholders	(1,540,198)	(1,657,895)
Interest expense	633,593	1,236,778
Depreciation and Amortization	140,318	17,756
EBITDA	\$ (766,287)	(403,361)
	Nine months ended September 30, 2022	Nine months ended September 30, 2021
	(unaudited)	(unaudited)
Revenue	\$ 85,317,860	\$ 36,905,373
Cost of revenue (exclusive of depreciation and amortization)	78,572,421	32,544,619
General and administrative expenses	9,655,529	10,262,479
Loss from operations	\$ (2,910,090)	\$ (5,901,725)
Net loss to common stockholders	(3,725,569)	(6,687,302)
Interest expense	1,370,236	4,637,236
Depreciation and Amortization	501,157	415,996
EBITDA	\$ (1,854,176)	(1,634,070)